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SUBJECT: KAZAKHSTAN: RBK CUSTOMS UNION, WTO, AND THE WAY  
FORWARD

REF: A. ASTANA 1018  
[1](#)B. ASTANA 1005  
[1](#)C. ASTANA 0830

[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (SBU) SUMMARY: On July 9, Kazakhstan's WTO negotiator

-- reiterated that Russia, Belarus, and Kazakhstan have  
suspended, not abandoned their individual WTO accession  
negotiations;

-- revealed Russia will hire, probably before August 12, an  
independent international law firm to mark out a way forward  
with WTO;

-- emphasized that President Nazarbayev sees the  
Russia-Belarus-Kazakhstan Customs Union as consistent with  
his long-standing commitment to Eurasian economic integration;

-- said she hopes that Belarus will have "the political will"  
to work smoothly with Russia in the customs union;

-- expressed both appreciation for and skepticism about TIFA.  
END SUMMARY.

[1](#)3. (SBU) During the Ambassador's one-on-one lunch with  
Kazakhstan's WTO negotiator and Vice Minister for Industry  
and Trade Zhanar Aitzhanova on July 9, she said that the June  
9 announcement in Moscow that Russia, Kazakhstan, and Belarus  
are suspending their individual WTO negotiations and would  
seek to enter WTO as the Russia-Belarus-Kazakhstan (RBK)  
Customs Union was caused fundamentally, at least on the  
Kazakhstani side, by their increasing frustration that the  
United States and European Union were making  
"disproportionate demands" that required more concessions

from Kazakhstan than they were willing to give Kazakhstan in return. "It was increasingly clear that we were being asked to pay a higher price because we were late-comers to the game." Then the global financial crisis was the coup de grace that led to the final decision, she added.

#### A DESIRE FOR REGIONAL INTEGRATION AND GLOBALIZATION

14. (SBU) Aitzhanova explained that while the final decision was made by the Russian and Kazakhstani Prime Ministers, PM Masimov obviously was speaking for President Nazarbayev. When the Ambassador suggested that some analysts in the West might see this as a win for Putin and his desire for Russia to gain greater influence in its former territories, Aitzhanova replied: "As a Harvard graduate, I'd say such analysts understand Moscow but they don't understand Kazakhstan. They don't seem to comprehend we can use the so-called Putinism and not just be its supposed victim. They don't understand Nazarbayev's intense commitment to Eurasian economic integration and to globalization. Nazarbayev's decision demonstrates his economic pragmatism, not his political ambition -- nor his political naivete." She added that Nazarbayev is intent on using the infrastructure of Russia while rejecting the ideology of the former Soviet Union. Aitzhanova made the argument that the RBK Customs Union will open the door for more direct foreign investment in Kazakhstan because potential investors will have a much larger market. After deploying this official talking point, she conceded that foreign investors might, on the other hand, choose Russia over Kazakhstan where they can take advantage of the larger labor pool and be closer to ports and other international lines of communication. "But at least Russia

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will now open its doors wider for our agricultural products," she added.

#### NEXT STEPS

15. (SBU) Aitzhanova conceded that Kazakhstan and Russia had not focused on WTO's distinction between a customs union and a customs territory when announcing their intention to enter WTO as a customs union. She emphasized that the individual countries' accession processes were simply suspended, not abandoned, and revealed that the customs union negotiators have agreed that Russia will hire an independent international law firm to determine the correct way forward with WTO for both the customs union and its individual members. She said Russia expects to choose the law firm before the next customs union commission meeting on August 12 in Moscow.

16. (SBU) In the meantime, Aitzhanova bemoaned that her work-load has tripled because of the breakneck speed at which Russia, Kazakhstan, and Belarus must review and harmonize their legislation. The customs union becomes official on January 1, 2010, and the borders actually open on July 1, 2011. Aitzhanova emphasized that where one country's legislation is more liberal, the negotiators have committed to accepting the more liberal version in order to benefit businesses. At the same time, the negotiators are analyzing their individual WTO commitments to try to factor in that variable. When asked if that might not require reopening already completed chapters with WTO, Aitzhanova sighed and said, "It's possible, but we'll wait for advice from the independent international law firm." Aitzhanova said she was aware that the June 9 announcement will create technical barriers for individual accession to WTO, but, she emphasized, "We never want to have political barriers with our partners because of the RBK Customs Union."

#### THE BELARUS FACTOR

17. (SBU) The Ambassador noted that if the customs union members will want enter the WTO, even if individually, at about the same time, Belarus is years behind both Russia and

Kazakhstan in its WTO accession negotiations. Aitzhanova sighed again and said, "We hope there will be political will to move forward quickly together." In reply to a comment that while the Russia-Kazakhstan relationship is noted for its calm stability, the Russia-Belarus relationship tends to be tempestuous from time to time, she repeated, "We hope for political will."

#### THE CENTRAL ASIAN TIFA

18. (SBU) Commenting on the U.S.-initiated Central Asian Trade and Investment Framework Agreement (TIFA), Aitzhanova repeated what she had told Deputy Assistant U.S. Trade Representative for South and Central Asia Claudio Lilienfeld on April 27 (ref C). Kazakhstan appreciates participating in annual TIFA meetings, but after many years has seen no concrete results. She pointed out the political and economic disparities of the five Central Asian states, their resistance to any significant regional cooperation, and the fact that Kazakhstan's economic progress and success intimidates the other four, which makes honest collaboration nearly impossible. She suggested that holding Kazakhstan up as a model during TIFA meetings only increases resentment among the other four.

HOAGLAND